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Your Money Magazine
January, 2012

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How we made our MILLION$

Five everyday Australians share their success stories, their winning strategies and the lessons learned along the road to making their first million dollars. *Sarah Megginson* reports

There's more than one way to skin a cat, and for those who are willing to put in the hard yards, there's more than one way to generate serious wealth. *Your Money Magazine* sat down with five everyday Australians who have each taken a different path towards creating financial security – from seeking out profitable property deals and dabbling in shares, to sniffing out a gap in the market and pouncing with a new business idea. They each went about it in their own way but they all share several qualities – drive, determination and confidence – which have guaranteed them a wealthy retirement.

6 steps to make you a millionaire

If you're keen to replicate the success of our five millionaires Jamie McIntyre, CEO and founder of 21st Century Education, offers the following tips:

1 Have a clear vision
Write down all the reasons why you want to be a millionaire. For example, it might be to have a great lifestyle. Be specific: if what you really want is $10,000 per month passive income and a great lifestyle, becoming a millionaire may not be your real goal.

2 Change your thinking
To become a millionaire, do you achieve the millions first and then start thinking like one? Or do you need to think like a millionaire well before the millions show up? The answer should be obvious.

3 Invest
Initially, invest in your own financial and personal education. People invest hundreds of thousands into a university education. Yet how much does the average person invest in becoming financially educated? Spending $5,000–$10,000 on a quality, diversified financial education may be more effective than relying on commission-driven financial planners.

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Made first million in: 2006
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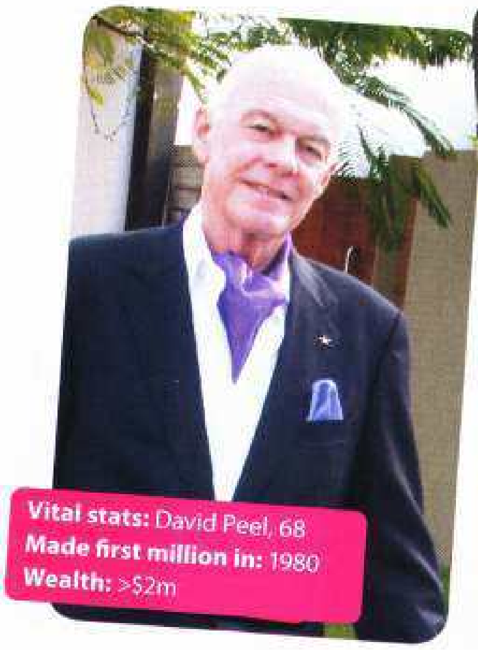
Vital stats: Wendy Priestly, 60
Made first million in: 2002/03
Wealth: $15m



Vital stats: David Peel, 68
Made first million in: 1980
Wealth: >$2m

Vital stats: Kelly Baker-Jamieson, 34
Made first million in: 2005/06
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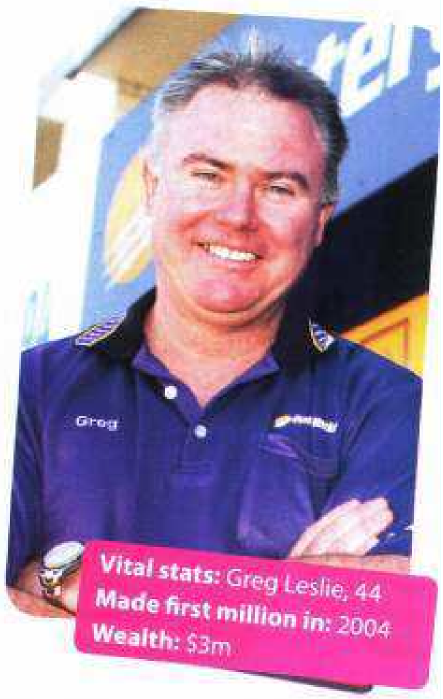

Vital stats: Greg Leslie, 44
Made first million in: 2004
Wealth: $3m

4 Avoid the crowd

As my millionaire mentor said to me, "if you do what most people do, you will get the results most people do". Do the opposite to what most people are doing. The biggest mistake most small investors make is to follow the crowd, and if they're at the back of the crowd they will buy when prices are too high and sell when they're too low.

5 Find a mentor

Once you're financially educated and thinking like a millionaire, find a mentor you can learn from. It can be someone who you've read about in a book, like Sir Richard Branson. I originally learned a lot about business from his books well before I was able to meet and learn from him in person.

6 Take action

Select one or two financial strategies that best suit your risk profile and take massive, immediate, intelligent action, checking in regularly to ensure you're on track. Constant learning and constant application over time dramatically increases your chances of becoming successful.

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THINK POSITIVE AND THE CASH FLOWS

Nathan Birch
Cash-flow-positive property investor

He recently celebrated his 26th birthday but Nathan Birch is sitting on a property portfolio that people twice his age would kill for. What's the secret to his success? "Don't dilly-dally," he says. "You need to be decisive if you want to get ahead."

- **Vital stats:** Nathan Birch, 26, Western Sydney
- **Net worth:** $3.5m
- **Portfolio snapshot:** Owns 40 properties throughout NSW and Queensland: 50% in Sydney metro, 30% regional NSW, 10% Western Sydney/Mt Druitt, 10% Cairns. Portfolio worth over $7m, net worth $3.5m
- **Year made first million:** 2006
- **First investment:** I was excited about property as a kid, even though I didn't really understand how to make money out of it. My first job out of school earned me $30,000 a year, so I knuckled down and saved every cent until I had $35,000. In 2003 when I turned 18, I was able to buy my first house in Western Sydney for $248,000, using my savings as a deposit.
- **Goals:** I thought, if I own 10 houses by the time I'm 30 that will pay me $1,000 a week (or $52,000pa), being cash-flow positive, which will be enough to live off, so I decided to buy one property every year. My goal was to leave work to retire on my property assets, so why would I buy negatively geared property that keeps me stuck at work? I reached my goal of 10 properties within a few years, and now I have a portfolio of roughly 40 houses, apartments and units. I used cash deposits for the first few purchases, and added properties to the portfolio using a mixture of equity and savings.
- **Challenges:** The most common hurdle to property investing involves financing. This is why most investors have only one or two properties, and I own 40 – because I understand what the banks require in order to be confident that I can service the debt. My properties have largely been self-sufficient, as I've built a portfolio of properties that achieve instant growth and strong cash flow. Having properties that are negatively geared will subtract from your borrowing serviceability and your lifestyle, and they are detrimental to long-term growth.
- **Winning strategies:** Education is crucial. In the early days, I spent up to eight hours a day reading books and magazines [on property investing], browsing the internet and speaking to real estate agents. I developed a strategy to buy under-market properties and hold them for the long-term, living off the positive cash flow that they generate. I just bought a unit in Cairns for $20,000; it's amazing the deals you can do when you ask the right questions.
- **Lessons:** Make logical decisions, not emotional decisions, and be guided by the numbers. In 2003, I looked at Logan in south-east Queensland, and I could have bought a townhouse for $60,000, returning $120pw. I listened to the prevailing negative sentiment and didn't buy it, and it's worth four times that amount now.
- **Where to next:** My properties are bringing in well over an average salary in positive cash flow, so I was able to quit work earlier than my 30th birthday. These days my job is to manage my portfolio. My plan is to own 100 buy-and-hold properties by the time I turn 30 and eliminate my mortgages.

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WORK THAT EQUITY

Wendy Priestly
Negatively-geared property investor

"Buy in growth areas spread around Australia, so you can pick up on the various growth cycles around the different capital cities"

Wendy Priestly and her husband John are testament to the belief that it's time in the market, not timing the market, that generates wealth from property. Their first investment, a three-bedroom house in Sydney's Wattle Grove, cost $182,000 in 1994. Wendy was a school teacher and her husband a Sydney Water technical officer. "It was unusual – a display home in a Sydney master-planned community, which we rented back to the builder," Wendy says. It was to be the first of almost two dozen properties that have set the couple up for retirement.

- **Vital stats:** Wendy Priestly, 60, Wattle Grove, NSW
- **Net worth:** $15m
- **Portfolio snapshot:** 22 properties worth $12.7m, located primarily in capital cities around Australia
- **Year made first million:** 2002/03
- **First investment:** Our very first house, bought in 1994, which is now worth $430,000, began a very long and profitable journey. For our second purchase in 1998, we borrowed against the equity in our own home to invest in a two-bedroom unit in Brisbane's Paddington for $183,000 (now valued at $430,000). We've replicated this strategy many times over, acquiring property around Brisbane, the Gold Coast, Cairns, Western Australia, Sydney and Darwin.
- **Goals:** Our driving goal was to have an income that would allow for frequent travel in retirement, and we realised we couldn't afford it on a $50,000 annual super payment. We knew nearly nothing about property investing when we started, but we were convinced it would help us achieve financial security.
- **Challenges:** Our biggest challenge was finding where to start. We wanted to hold property for the longer term and gain equity and rental growth, so we decided we needed to find a support group that would 'hold our hand' to help us buy multiple investment properties, and show us what to do when problems arose as landlords.
- **Winning strategies:** Our approach to investing was much like a business – making decisions with your head and not your heart. We made the decision to purchase our properties through The Investors Club, which gave us ongoing mentoring. Through the club, we learned it was best to invest in areas with strong population growth, high employment, a history of good rental returns and planned infrastructure growth. We also looked for properties that were well constructed, and that were new or near-new for minimal maintenance, strong depreciation and maximum tax benefits. They also needed to have minimal holding costs.
- **Lessons:** Don't buy where you think you want to live, but buy where the largest number of tenants wishes to live. Don't buy where you want to holiday as this is not where tenants are always in strong demand. Buy in growth areas spread around Australia, so you can pick up on the various growth cycles around the different capital cities.
- **Where to next:** We're content to maintain our current portfolio, without adding to the mix or selling off any assets in the near future. Owning an investment property portfolio is like owning a number of small businesses. Since our businesses are delivering the results we want, there's not really a need to sell them, but if the circumstances of life require a reduction in properties or a redistribution of what we hold, we'll then look at our options.

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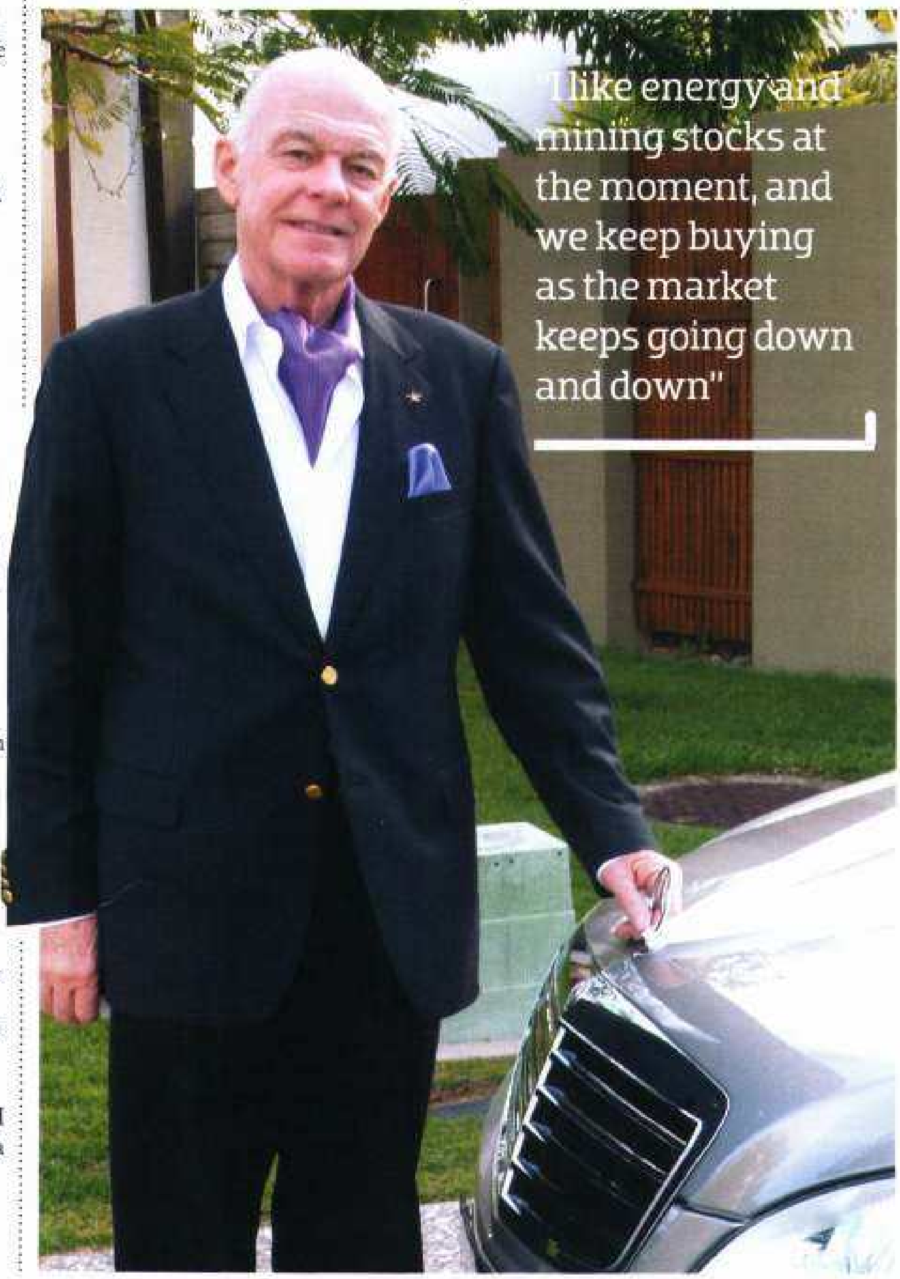
MONEY MOSAIC WORKS FOR DAVID

David Peel
Shares, property and businesses

Semi-retired businessman David Peel is a jack-of-all-trades. He started his career in banking and finance before opening a tile wholesaling business, and has since opened retail stores, traded in shares and invested in real estate. Now living in sunny Noosa, David humbly says of his achievements, "A bit of advice in your ear at the right time can make the world of difference".

- **Vital stats:** David Peel, 68, Sunshine Coast
- **First business:** Tile Factory, launched in 1982
- **Asset position:** 20% ownership of Tile Factory (80% sold back to management), share portfolio, commercial and residential real estate; worth multi-millions
- **Year made first million:** 1980s
- **Wealth:** multi-millionaire
- **First business:** In my late 30s I was invited to join a ceramic tile warehouse, and I went for it. When I started it was just me, then we had one employee, then two, and it grew from there. These days, I look at overall issues and weigh in on strategic decisions but the management team is doing a great job of running the business.
- **Goals:** We had a good team, a good product range and a professional approach to customer service, so as the business grew, we decided we'd become a major supplier to the tile industry throughout Queensland. We thought about expanding interstate but found it was better to focus on Queensland.
- **Challenges:** When the GST was introduced, I planned on having six quiet months of trade but we ended up having 18 months of very quiet trading. I learned that you've got to have a plan that covers all contingencies.
- **Winning strategies:** Not long before I left the finance industry, I was talking to a motor dealer and he said, "If you go into business, buy the real estate underneath you, because that will appreciate in value and will look after you in retirement". It really stuck with me and when we started opening stores across Queensland, we tried to buy all of the real estate that the stores were located in. We've done very well out the tile business over the years, but we've done even better out of the real estate.
- **Lessons:** Keep an eye on the numbers. Running a company is exactly like running your wallet – if your income goes down, you have to cut back on spending somewhere.
- **Share investments:** I've had an interest in shares most of my life, but since I retired, I've had more time to research what I invest in. We have a self-managed super fund and a share broker, so between him, my financial advisor and my own research, I can navigate the market. I like energy and mining stocks at the moment, and we keep buying as the market keeps going down and down.
- **Where to next:** I'm semi-retired; I go into the office one day a month. On my day at work, I get up early for the drive to Brisbane and I'm in the office by 6.15am and out by 2pm. I miss the traffic on the way home and I'm back on my balcony with a glass of wine by 4pm. I have to say, I'm quite happy with that arrangement!



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POWER IN THE SYSTEM

Greg Leslie
Franchisee

Greg Leslie, now 44, began his own auto electrical business at the ripe young age of 24, and has parlayed his small business experience to now successfully run a profitable franchise. A millionaire a few times over, Greg admits, "We're not exactly from wealthy backgrounds, so we did it all ourselves" – and with five children, he clearly needs every penny!

- **Vital stats:** Greg Leslie, Townsville, 44
- **Business:** Battery World franchise
- **Date of purchase:** June 2005
- **Cost of franchise:** $53,900
- **Annual costs:** Approx 10% of turnover
- **Current value:** $850,000
- **Annual turnover:** $2.8m
- **Wealth:** $3m
- **Year made first million:** 2004
- **First business:** I started my own auto electrical business when I was 24 and by 2005, it was virtually running itself. We were looking to expand into something new and the Battery World franchise opportunity came about. It already came with an operational platform and strategy laid out and it wasn't a quantum leap from what we were doing, so it made sense as the next logical step.
- **Goals:** I wanted to cut back my hours – I was working 60–70 hours a week and with a young family, I couldn't sustain it. At Battery World, we sell products and while we're all about customer service, it's very different to the auto electrical business, which is about selling labour to make a profit. We had a small battery division in our auto business that was about a twentieth of the size of our current store, so we saw this as an opportunity to gain a market that wasn't so service orientated.
- **Challenges:** We bought the business in June 2005 and the following month, my wife found out she was pregnant – with triplets! They were born in March 2006, and it was definitely a challenge welcoming three new babies and starting a new business.
- **Winning strategies:** In a franchise, the amount that you don't have to think is incredible – things like the marketing strategy, product mix, delivery of services and how to negotiate the best buying price are all taken care of. But there's still room to put your own spin on things. For instance, I launched a battery-recycling program with 35 schools in Townsville, which collects batteries from mobile phones, cordless drills, cordless phones and other appliances. We have a $1,000 prize each term for whichever school collects the most batteries, so it's an investment of $4,000 per year, but it's well worth it. It's been so successful that now Battery World Australia has taken up the program, and it's about to roll out across 75 stores nationwide.
- **Lessons:** Impatience never gets you anywhere. Having been a sole trader for so long, I was used to doing everything myself so when I bought the Battery World franchise I didn't trust the established strategy that was in place. I was trying to do too many things too soon, and we wasted a lot of money trying to speed up things that were going to happen anyway.
- **Where to next:** We did hope to get another two Battery World franchises in Brisbane but, in going down that path, we realised how difficult it is to run a business from this far away. So ideally, we'd like to stay local and get another franchise in Townsville and grow our business that way.

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BLOOMING GREAT IDEA

Kelly Baker-Jamieson
Entrepreneur

When Kelly Baker-Jamieson came up with a business idea to sell floral-like blooms made out of fresh fruit, she had trouble explaining it to people. Now, four national stores, a NZ franchise office and 250,000 bouquets later, Edible Blooms is one of the top ten Google search items for gift and flower delivery in Australia. "I've never been afraid to pay for good advice," Kelly says of her strategy for success. "Marketing is my background, so I handle that area of the business, but accounts, IT and HR are all outsourced to experts, so we have the best advice possible to grow the business."

- **Vital stats:** Kelly Baker-Jamieson, 34, South Australia
- **Business:** Edible Blooms, selling bouquets of fruit or chocolates, rather than bouquets of flowers
- **Date of launching:** September 2005
- **Set up costs:** $20,000
- **Annual costs:** Significant
- **Average annual growth:** 30%
- **Current value:** $10m+
- **Wealth:** multi-millionaire
- **Year made first million:** 2005/06
- **First business:** I spent 18 months looking at franchises and different businesses, but nothing clicked. I came up with idea of selling edible blooms instead of flowers and had a gut instinct that it would work. I couldn't get a loan, because banks wouldn't lend to invest in start-up ideas – particularly a left-field idea like mine – and it was difficult explaining my concept without showing them the product. I got it off the ground while I was still working, invested $20,000, which was most of my savings, and I poured every cent of my salary into the business. It took off; I employed my first staff member two-and-a-half months later and quit my job within eight months.
- **Goals:** I wanted to build a business that was worth $1m. I had a strong idea of what I wanted to achieve, so I launched with a lot of research behind me. I set up the business on my own and my sister joined me the following January, so she's now a shareholder.
- **Challenges:** Our biggest challenge in the early days was managing cash flow. You have to have a really good understanding of your cash cycle, because if you're offering 90-day terms and your suppliers operate under seven-day terms, it doesn't matter how well business is going, you're going to run into trouble. For the first three years, it was all about focusing on cash flow rather than profits.
- **Winning strategies:** I opened on the Monday and I had a few people's business cards, so I emailed them all the link to the website and said, "This is Edible Blooms, check it out, everything is half price this first week – tell your friends!" I was expecting to spend the first week sending out freebies to media and corporates, but we made about $1,000 in sales! I spent the morning making blooms and the afternoon delivering them.
- **Lessons:** The first few years of the business were full-on. I had no work–life balance, it was all about work. We're a web-based business and we found that our traffic was surging so much at peak times, like Valentine's Day and Christmas, that our website crashed because the back end infrastructure couldn't handle it. That was a big learning curve.
- **Where to next:** We have lots of plans, including offshore growth. Our very first full-time staff member moved to New Zealand and opened our first franchise, and that's been very successful, so we're keen to replicate that success. We've got the IT platform and operational infrastructure ready to go so all we need to do is push the button as we identify the right partner in each market.

"I had a strong idea of what I wanted to achieve, so I launched with a lot of research behind me"